



Long Term Disability Income Plan

THIS BOOKLET SUMMARIZES THE PLAN; ARIZONA LAW GOVERNS

This booklet is a summary description of the Long Term Disability Income Plan. Changes to or interpretation of Arizona law may supersede it. The law will govern in all cases no matter what the specific language in this booklet might state.

Amended and Restated

August 12, 2005

LONG TERM DISABILITY INCOME PLAN - WHAT IS IT?

This plan provides you with a monthly benefit designed to partially replace income lost during periods of total disability resulting from a covered injury, sickness or pregnancy.

It is provided as a benefit under your plan with the Arizona State Retirement System (ASRS). The ASRS has contracted with VPA, Inc. of Calabasas, California for administration of this Long Term Disability (LTD) Income Plan. VPA makes all initial decisions regarding claims submitted under the LTD Plan. Please contact VPA if you have questions about the plan. The phone number and address are on the last page of this booklet.

WHO IS ELIGIBLE?

- All public officers and employees who are participants in the ASRS and whom a participating employer employs in the system are eligible. There are exceptions:
- Active plan members from the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan, the University Optional Retirement Plan, or the Correction Officers' Retirement Plan are not eligible for benefits.
- A participant who is receiving retirement benefits from ASRS is not eligible for LTD benefits.
- A participant who withdraws employee contributions with interest and ceases to be a member of the plan is not eligible for LTD benefits.

Individuals who are participants in the ASRS on or after July 1, 1988, are eligible for this plan. For individuals who started working for a participating employer of the ASRS after July 1, 1988, the effective date of coverage is the date that they became participants of ASRS. Eligible individuals working for a school district, whose normal work schedule did not include working during summer months, became covered under the plan on July 1, 1988, provided that they were participants of the ASRS on that date and met the requirements for continuing participation.

WHAT IS TOTAL DISABILITY?

- During the first 30 months of a disability, including a six-month waiting period, you are considered Totally Disabled if you are under the care of a licensed physician and are unable to perform all of the essential duties of the job you held when you became disabled.
- After you have received benefits for 24 continuous months within a five-year period, you are considered Totally Disabled if you are under the care of a licensed physician and are unable to perform any work for compensation or gain for which you are reasonably qualified by education, training or experience.

WHAT DISABILITIES ARE NOT COVERED?

Monthly LTD income benefits are not payable to a participant whose disability is due to, or a result of, any of the following:

- An intentionally self-inflicted injury;
- War, whether declared or not;
- An injury incurred while engaged in a felonious criminal act or enterprise;
- For employees hired on or after July 1, 1988, any injury, sickness, or pregnancy for which you received medical treatment within the three months before the date of your coverage under the LTD Income Plan. This exclusion does not apply to a disability commencing after a person has been an active member of a participating employer for a period of twelve continuous months, or to a participant who was employed by a participating employer as of June 30, 1988.

"Received medical treatment," means that you have consulted with or received the advice of a licensed medical or dental practitioner, including advice given during a routine examination. It also includes situations in which you have received medical or dental care, treatment or services, including taking drugs, medication, insulin, or similar substances.

If your disability began before July 1, 1988, you will not be eligible for benefits under the plan for your current period of disability. Only disabilities commencing on or after July 1, 1988 are potentially eligible for plan benefits.

WHEN DO BENEFITS BEGIN?

Benefits will commence on the day following a waiting period during which you have been totally disabled for six consecutive months. Benefits are paid monthly.

The waiting period will not be interrupted by limited duty. Limited duty means, as advised by a licensed physician, work in a capacity where the member is unable to perform all the essential duties and or work less than a full-time schedule of the position held at the time that the member became totally disabled.

Also, if you are totally disabled and return to full-time work in your regular occupation with a participating employer for up to ten (10) full-time working days during any one waiting period and again become totally disabled for the same cause, then your waiting period will be extended by the number of days that you returned to full-time work in your regular occupation plus any days off in between.

However, if you return to work for more than ten (10) full-time days in the first six month waiting period in your regular occupation for a participating employer and again become disabled, you will be required to satisfy a new six month waiting period in its entirety.

WHAT IF I AM WORKING OR RECEIVING WORKERS' COMPENSATION BENEFITS?

If you are receiving workers' compensation benefits or working limited duty due to an illness or injury you may be eligible to receive LTD income benefits. Limited duty means, as advised by a licensed physician, work in a capacity where the member is unable to perform all the essential duties and/or work less than a full-time schedule of the position held at the time that the member became totally disabled.

Contact your Human Resources, Benefits, or Payroll Department to obtain the application packet for LTD benefits.

WHAT IS THE AMOUNT OF MY BENEFIT?

The basic monthly benefit is $66 \frac{2}{3}$ percent ($66 \frac{2}{3}\%$) of your Monthly Earnings as of the date that you become disabled. In determining Monthly Earnings, VPA, Inc. will use the definition of "Compensation" outlined in Arizona Revised Statutes Section § 38-797, paragraph 4.

If you are employed by a school district or other participating employer which pays you on a less than twelve month schedule, your Monthly Earnings will be one twelfth ($1/12$) of your annualized Compensation on the date disability begins.

If you are employed under multiple contracts, which contributions have been paid in the plan, your Monthly Earnings will be one twelfth ($1/12$) of your annualized compensation for all contracts.

If benefits are payable for a period that is less than a full month, one thirtieth ($1/30$) of the monthly benefit amount is payable for each day that you are entitled to benefits.

The basic monthly benefit may be reduced by an Offset Amount in determining the benefit actually due.

If the Offset Amount under this plan is found to be different than that actually considered in calculating your benefits, VPA will advise you of the effect on your benefit and adjust your benefit accordingly.

If an overpayment of benefits occurs, VPA will require a full refund from you for the amount of the overpayment. The monthly benefit, which would otherwise be payable to you, may be applied to reduce the overpayment until it is repaid in full.

If an underpayment of benefits occurs, VPA will promptly pay you the amount necessary to adjust the total payments to the amount that should have been paid under the plan.

MINIMUM BENEFIT

If you are eligible for a monthly benefit under the plan, a minimum monthly benefit of \$50 will be due you, no matter how much income you receive from other sources. If an overpayment exists in your claim, this minimum benefit will not be paid to you, but will instead be applied to reduce the overpayment until it is reduced to zero.

DEDUCTIONS FROM YOUR MONTHLY BENEFIT - THE OFFSET AMOUNT

If you receive benefits from any of the following sources they will be directly subtracted from your basic monthly benefit in determining the amount actually payable to you.

- Sixty-four percent (64%) of benefits payable under the United States Social Security Act or the United States Railroad Retirement Act to you and your family, when paid on account of your disability.
- Eighty-three percent (83%) of the retirement benefits you receive under the United States Social Security Act or the United States Railroad Retirement Act.
- All benefits, including sick pay, retirement benefits, or disability provided by any other group insurance contract or benefit arrangement which are financed in whole or in part by your participating employer. This does not include any retirement benefit that is received by the member pursuant to a state retirement system or plan other than ASRS.
- All benefits for disability under any Workers' Compensation Act, non-occupational disability benefit law, the maritime doctrine of maintenance, wages, and cure, or similar legislation.
- Payments for a veteran's disability to the participant, if the payment is for the same condition or a condition related to the condition currently causing the total disability and is due to, or a result of, service in the Armed Forces of the United States.
- Half of any salary, wages or commissions or other employment related pay that a participant receives or is entitled to receive from any gainful employment.

LTD recipients are eligible to receive the benefits and payments described above and the reductions provided above apply, even though the benefits are not actually paid, as follows:

- For primary and dependent Social Security benefits, LTD recipients are considered eligible for Social Security benefits until the benefits are appealed before a social security administrative law judge or until VPA, Inc. determines that you are not eligible for social security disability benefits.
- For benefits and payments from any other source provided above, LTD recipients are eligible for the benefits if it is reasonable to believe that the benefits will be paid on proper completion of the claim or would have been paid except for the failure of the recipient to pursue the claim in time.

If the Claims Administrator feels that you could be eligible for Social Security benefits as described above you may defer any estimated reduction in LTD income benefits by providing the following to VPA:

- Signed right of reimbursement form
- Authorization for Social Security Administration to release information to VPA
- Copy of application receipt from Social Security
- Copies of all denials from Social Security
- Copies of all denial appeals to Social Security

When your Social Security benefit has been awarded or if you are denied Social Security benefits you should notify VPA as soon as possible. Vacation pay and annual leave are not considered deductions from your basic monthly benefit. Monthly LTD payments to you will not be affected by statutory or cost of living increases in Social Security benefits that take effect after monthly benefits under this plan commence. This also applies to statutory or cost of living increases in retirement plans, the United States Railroad Retirement Act, Veteran's disability payments and the maritime doctrine of maintenance, wages, and cure.

Offset Amounts for one-sum payments or lump-sum payments will be as determined by VPA on a reasonable basis consistent with other similar determinations.

WHAT ABOUT TAXES?

Your LTD income benefit is considered taxable income and is subject to applicable tax laws. If your disability commenced on or after 7/1/95, fifty percent (50%) of the benefit is taxable. The portion of your benefits that comes from employer's contributions is taxable. Therefore, VPA, Inc. will withhold legally required federal taxes from half of your adjusted gross monthly benefit. A completed Form W-4 will need to be completed indicating your withholding allowances. If you are exempt from taxes due to your specific circumstances, a fully completed Form W-4 to verify your exemption must be sent to VPA each year in order for VPA to be able to cease withholding federal income taxes. A Form W-2 will be sent at the end of each year reflecting federal and state taxes withheld for that year. Your LTD income benefit is also subject to state income tax.

HOW LONG WILL BENEFITS BE PAYABLE?

Benefits are payable following the waiting period, for the remainder of your period of total disability, except that benefits will not be payable beyond:

- The date you are no longer totally disabled;
- The date you are no longer under the direct care of a licensed physician.
- The date you refuse to undergo a medical examination or refuse to participate in any work rehabilitation program for which you are reasonably qualified by education, training or experience that is requested by VPA.
- The later of the following:
 - a. Your normal retirement date.
 - b. The month following sixty months of payments if disability occurs before sixty-five years of age;
 - c. The month following attainment of seventy years of age if disability occurs at sixty-five years of age but before sixty-nine years of age.
 - d. The month following twelve months of payments if disability occurs at or after sixty-nine years of age.
- The date you begin to receive retirement benefits under the ASRS.
- The date you withdraw employee contributions with interest and cease to be a participant in the ASRS.
- If you are convicted of a criminal offense and sentenced to more than six months in a jail, prison or other penal institution, benefits will cease the month following thirty days of continuous confinement and will continue to be suspended for the remainder of the confinement.

A participant who receives monthly benefits under the LTD Plan is entitled to receive service credits from the time disability commences until the participant's normal retirement date, except that for a participant who receives monthly benefits from the LTD Plan on or after June 30, 1999, the years of service credited to the participant's retirement account shall not exceed the greater of thirty (30) years or the total years of service credited to the participant's retirement account on the commencement of disability.

WHAT HAPPENS IF MY DISABILITY STOPS AND THEN RECURS?

If you have satisfied a waiting period, then return to work with a participating employer, and later become disabled again, you may not have to satisfy a new waiting period.

If you become disabled for the same or a related cause, benefit payments will resume without a waiting period, as long as you have returned to work full-time with the participating employer for less than six consecutive months.

A new period of disability for a different and entirely unrelated cause following at least one day of full-time work with the participating employer will require a new waiting period before any additional benefits would be payable.

WHAT IS THE AMERICANS WITH DISABILITIES ACT (ADA)?

ADA prohibits discrimination in employment against people with disabilities.

It requires employers to make reasonable accommodations to the known physical or mental limitations of a qualified applicant or employee, unless such accommodation would impose an undue hardship on the employer.

Reasonable accommodations may include:

- Making worksites accessible
- Modifying existing equipment
- Providing new devices
- Modifying work schedules
- Restructuring jobs

WHAT ABOUT THE HEALTH INSURANCE PREMIUM BENEFIT PROGRAM?

If you are a retired or disabled member of the ASRS, with at least five years of credited service, and receive your group health insurance coverage through your participating employer or through the ASRS' Retiree Group Insurance Program, you are eligible to participate in the Health Insurance Premium Benefit Program.

If you receive LTD income benefits and are covered by the ASRS' Retiree Group Health Insurance Program and, later, become ineligible for the LTD benefits, you may continue health insurance for yourself and your covered dependents for up to twelve months from the date you become ineligible for additional LTD benefits. If you were receiving the Health Insurance Premium Benefit, this benefit will cease the date you become ineligible for additional LTD benefits. You will be financially responsible for the full amount of the premiums.

You should contact your participating employer or the ASRS Member Services Division for information regarding the Health Insurance Premium Benefit Program and other insurance programs available to you.

HOW TO FILE A CLAIM FOR BENEFITS

You should file your claim as soon as it appears that you will be disabled for six consecutive months. If you are not certain how long your disability will last, you should file your claim when you have been off work or working limited duty for three months.

- Contact your Human Resources, Benefits, or Payroll Department to obtain the application packet necessary to file a LTD claim. The forms included in the packet are: Claim Statement, Request of Information form, Social Security Authorization, W-4 form, A-4 form, and the Attending Physician's Statement.
- Complete, in full, the Employee Claim Statement. The information requested here relates to the date and cause of your disability, other sources of income available to you, and an authorization, which allows VPA to obtain medical records, if necessary. Please provide as much pertinent information as possible, e.g., any return to work period, light duty status, etc., which would help VPA in the determination process. You may attach a separate sheet, if necessary.
- Complete, in full, Claim Statement Part 2. The information requested here is used for the possible exploration of rehabilitation services. Please provide as much information as possible, which will help VPA in determining possible assistance in rehabilitation.
- Complete the Social Security Authorization form. This signed form allows VPA to request information from the Social Security Administration regarding any Social Security benefits to which you may be entitled.
- Complete the W-4 and A-4 tax withholding forms. If VPA does not receive these completed forms from you, VPA will withhold federal taxes based on an S1 (single with one exemption) rate, and Arizona State taxes at a rate of 17% of the federal tax withheld.
- Ask your doctor to complete the Attending Physician's Statement. This form provides details of your condition, current treatment, and prognosis. The information requested here should date from the onset of disability to the current date. If different doctors are involved, it may be necessary to submit more than one physician's statement.
- Return the disability packet to your Human Resources, Benefits or Payroll Department. They will submit the claim directly to VPA.
- Once VPA has received the claim, it will be processed and you will be sent written notice of the status of your claim.

The earlier you file your claim, the more likely it is that VPA can complete all of the processing necessary, including gathering additional information, to provide you with a decision regarding your claim on or before the date that benefits would be payable.

NOTIFICATION OF DECISION BY PROGRAM ADMINISTRATOR (VPA, INC.)

A decision regarding your claim will be made promptly after VPA receives complete proof of loss. Complete proof of loss means the forms specified in the preceding section, any additional forms that VPA requires, and any investigation by VPA which is necessary to determine benefits that may be payable under the plan. VPA may ask that you be examined by a physician of its choice at no cost to you and may also make any other investigation deemed necessary to determine benefits that may be payable under the plan.

Once you have been approved for LTD benefits, you are required by Arizona law to be under the direct care of a licensed physician in order for monthly LTD benefits to continue. In order to verify that you are under the direct care of a physician and to establish proof of loss, a Supplementary Report for Benefits form completed by your attending physician will be required as deemed necessary by VPA. This form will be provided to you at no cost, however, the cost of having this form completed will be your responsibility. VPA will inform you as to the frequency that such proof of loss will be required. VPA will advise you when additional medical or other evidence is necessary to determine if additional benefit payments can be paid.

If the claim is denied in whole or in part, VPA will provide written notice of such denial. The notice will contain:

- The specific reason or reasons for the denial.
- A description of the additional material or information, if any, necessary to complete the information to make a decision on an appeal of the claim and an explanation of why such material or information is necessary.
- An explanation of the plan's claim appeal procedure.

IF I DISAGREE WITH THE DECISION ON MY CLAIM, WHAT CAN I DO ABOUT IT?

If you disagree with the determination made on your claim, you have the right to request a thorough review of the decision.

The procedure is as follows:

- Within sixty (60) days after you receive **written** notice of the initial determination on your claim, you must file a **written** request for a review.
- The review request should include any additional facts and documentation that will support your claim. For your assistance, you may:
 - Request a copy of the LTD Statutes;
 - Ask for further explanation of the pertinent plan provisions and the reason for the initial determination;

- Your *written* request for a review must be mailed to the address below:

VPA, Inc.
Attn: ASRS Claims Manager
P.O. Box 9830
Calabasas, CA 91372-0830

If you should you have any questions regarding the LTD Income Plan, the toll-free telephone number is 1-800-495-9301.
